

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 594 - SB 845

March 4, 2013

SUMMARY OF BILL: Creates the Uninsured Motorist Identification Database Program, to be administered by the Department of Revenue (DOR). Requires DOR to contract with a third party agent to establish and maintain a database containing the following information: a record of each motor vehicle insurance policy in effect for vehicles registered in Tennessee, including the name, date of birth, and driver license number of each insured owner or operator, the make, year, and vehicle identification number of each insured vehicle, and the policy number and effective date of each policy, all to be provided by insurers by electronic means or another form accepted by the designated agent; the name, date of birth, address and driver license numbers of all persons on the driver license database, to be provided by the Department of Safety (DOS); and a record of all current motor vehicle registrations, to be provided by DOR before the seventh and twenty-first day of each calendar month. Requires the Comptroller of the Treasury to audit the Program at least once every three years. Requires the designated agent to make available the information provided by insurers to law enforcement agencies, financial institutions, DOR, DOS, and the Department of Commerce and Insurance (DCI), for the purpose of investigating, litigating or enforcing the financial responsibility requirements, for the purpose of investigating and prosecuting identity theft and other crimes, as well as issuing citations by law enforcement agencies related to motor vehicle registrations and renewals of registrations, purchases of motor vehicles, and financial responsibility requirements.

Requires DOR to direct the designated agent to provide notice to the owners of motor vehicles found not to be insured for three consecutive months that such owners have fifteen days to provide proof of financial responsibility or proof of exemption from financial responsibility requirements. Requires the designated agent to provide a second 15-day notice if an owner fails to provide satisfactory proof, and to notify DOR and applicable law enforcement agencies. Requires DOR to revoke the registration if the owner of a motor vehicle: has been convicted of operating a registered motor vehicle in violation of the Financial Responsibility Law (FRL); is under an administrative action taken by DOS for operating a registered motor vehicle in violation of FRL; has failed to provide satisfactory proof of owner's or operator's security to the designated agent after the second notice; or provided a false or fraudulent statement to DOR or the designated agent. Creates a Class B misdemeanor offense, punishable by fine only, for providing false or fraudulent statements to DOR or the designated agent. Requires applicants to pay an additional \$100 fee for reinstatement or renewal of registration of a motor vehicle after a revocation of the registration under this Program. Authorizes DOR to assess a fine of \$250 for each day an insurer fails to comply with the requirements of the Program. Authorizes the Commissioners of DOR, DOS, and DCI to promulgate rules and regulations.

Requires DOR to report to the General Assembly, by January 1, 2015, and every year thereafter, on the implementation of the Program, and DOR's findings and recommendations regarding the effectiveness and efficiency of the Program.

ESTIMATED FISCAL IMPACT:

Increase State Revenue – Net Impact – \$18,155,800

Increase State Expenditures – \$3,325,000

Decrease Local Revenue – Net Impact – \$5,558,600

Assumptions:

- Based on data provided by DOR, it is reasonably estimated there are approximately 6,650,000 motor vehicles, not including motorized bicycles, registered in Tennessee every year. This number is assumed to remain constant into perpetuity.
- The uninsured motorist rate in Tennessee is estimated to be 24 percent, or 1,596,000 motorists (6,650,000 x 24.0%).
- Based upon data from the Utah's Uninsured Motorist Identification Program and various available studies, it is estimated that 60 percent of uninsured motorists, or 957,600 (1,596,000 x 60.0%), will be able to acquire appropriate levels of insurance and will be able to continue renewing their motor vehicle registrations. As a result, there will be a recurring increase in state revenue derived from additional insurance premium taxes as 957,600 individuals acquire insurance.
- Pursuant to Tenn. Code Ann. § 56-4-205(a), the gross premium tax is a 2.5 percent tax on gross insurance premiums. Assuming an average annual premium of \$300 for the minimum required level of liability insurance, the recurring state increase in gross premium tax revenue is estimated to be \$7,182,000 (957,600 individuals x \$300 annual premium x 2.5% tax).
- Of the remaining 40 percent, or 638,400 (1,596,000 – 957,600), 50 percent, or 319,200 (638,400 x 50.0%), will not be able to acquire or maintain adequate insurance and will not be able to renew or maintain motor vehicle registrations, thus resulting in a recurring decrease in motor vehicle registration fee revenue.
- The average state registration fee among all class codes is estimated to be \$28.50 per vehicle; the average county wheel tax is estimated to be \$28.75 per vehicle.
- The recurring decrease in state revenue attributable to reduced registration fees is estimated to be \$9,097,200 (319,200 x \$28.50).
- The recurring decrease in local government revenue attributable to reduced registration fees is estimated to be \$9,177,000 (319,200 x \$28.75).
- The remaining 50 percent, or 319,200 (638,400 x 50.0%), will acquire insurance for the purpose of initially obtaining motor vehicle registrations, but will subsequently and repeatedly lapse in making premium payments, causing insurance companies to


terminate their policies, and subsequently causing DOR to revoke the applicable motor vehicle registrations.

- Fifty percent of such individuals, or 159,600 ($319,200 \times 50.0\%$), will lapse in making premium payments during the first year; the remaining 50 percent are assumed to lapse in making premium payments during the second year. These individuals will repeatedly have difficulty maintaining adequate liability insurance, and as a result, will have difficulty maintaining their motor vehicle registrations. However, these individuals will continue to attempt to be in compliance with this law over time. As a result, it is estimated that 159,600 individuals will have their motor vehicle registrations revoked in any given year. It is further assumed that these individuals will subsequently pay appropriate reinstatement fees to reacquire their motor vehicle registrations.
- The reinstatement fee for a motor vehicle registration is estimated to be \$45.00, of which \$22.50 is the state portion and \$22.50 is the local portion.
- In addition, this bill imposes an additional \$100.00 registration reinstatement fee. This fee is assumed to be imposed for state purposes only.
- The total state registration reinstatement fee is estimated to be \$122.50; the total local registration reinstatement fee is estimated to be \$22.50.
- The recurring increase in state revenue is estimated to be \$19,551,000 ($159,600 \times \122.50); the recurring increase in local government revenue is estimated to be \$3,591,000 ($159,600 \times \22.50).
- Of the 638,400 individuals that cannot consistently maintain insurance, approximately five percent, or 31,920 ($638,400 \times 5.0\%$), will be cited each year for driving with a revoked motor vehicle registration. These individuals are assumed to incur violations each year under current law for driving without adequate insurance. Seventy percent of these individuals, or 22,344 ($31,290 \times 70.0\%$), are cited as first-time offenders; the remaining thirty percent, or 9,386 ($31,290 - 22,344$) are cited as second-time offenders.
- Given these individuals are not able to consistently maintain adequate insurance, a higher than normal indigent rate is assumed. Forty percent of individuals that incur first-time violations under current law, or 8,938 ($22,344 \times 40.0\%$), and fifty percent of individuals that incur second-time violations under current law, or 4,693 ($8,938 \times 50.0\%$), are assumed to be indigent and, therefore, will not pay any assessed fines. As a result, approximately 13,406 first-time offenders ($22,344 - 8,938$), and approximately 4,245 second-time offenders ($8,938 - 4,693$) will pay their assessed fines under current law.
- Individuals assumed to pay fines under current law are assumed to pay any incremental fines under this bill. The average incremental fine for first-time offenders (for driving with a revoked motor vehicle registration) is estimated to be \$25; the average incremental fine for second-time offenders is estimated to be \$50. The incremental fines estimated are assumed to be the difference between the total fine these individuals will incur under this bill (for driving on a revoked motor vehicle registration and without adequate liability insurance), and the fine these individuals incur under current law (for driving without adequate liability insurance).
- The recurring increase in fine revenue is estimated to be \$547,400 [$(13,406 \times \$25.00) + (4,245 \times \$50.00)$].
- Local governments are estimated to receive five percent of fine revenue as commission.

- The recurring increase in fine revenue to the state is estimated to be \$520,030 (\$547,400 x 95.0%); the recurring increase in fine revenue to the local government is estimated to be \$27,370 (\$547,400 x 5.0%).
- Any increase in revenue to DOR from fine collections imposed on insurers who fail to comply with the requirements of the Program is estimated to be not significant.
- The net recurring increase in state revenue is estimated to be \$18,155,830 (\$7,182,000 - \$9,097,200 + \$19,551,000 + \$520,030).
- The net recurring decrease in local government revenue is estimated to be \$5,558,630 (\$9,177,000 - \$3,591,000 - \$27,370).
- Based upon information available, the cost to contract with a third party agent to establish and maintain the database is estimated to be \$0.50 per registered vehicle. The recurring increase in state expenditures is estimated to be \$3,325,000 (6,650,000 x \$0.50).
- Any cost to DOS and DCI to ensure compliance with the provisions of this bill are estimated to be not significant. Any costs incurred to promulgate rules and regulations are estimated to be not significant.
- There will not be a sufficient number of prosecutions for local governments to experience any significant increase in revenue or expenditures.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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